

Message Text

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ORIGIN NEA-10

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S/S MR. ORTIZ

----- 104380

R 070419Z FEB 76

FM SECSTATE WASHDC

TO AMEMBASSY TEHRAN

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E.O. 11652: N/A

TAGS: BEXP, ECRE, IR

SUBJECT:CONSTRUCTION INDUSTRY: BANK GUARANTEES AND SURETY
BONDS

REF: TEHRAN 674; STATE 14724

1. SUBSEQUENT TO STATE REFTEL AND RECEIPT EMBASSY REFTEL,
REPRESENTATIVES MORRISON KNUDSEN, INCLUDING WILLIAM H.
MC MURRAN, PRESIDENT AND L. NEAL SPENCER, EXECUTIVE VICE
PRESIDENT, VISITED DEPARTMENT TO TALK TO NEA DEPUTY ASST
SECRETARY AND DEPARTMENT OFFICERS RE IRANIAN PRACTICE OF
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REQUIRING BANK GUARANTEES ON CONSTRUCTION PROJECTS AND

INSISTENCE ON INSERTION WHAT WAS TERMED A "GUILLOTINE CLAUSE" (TERMINATION AT OPTION OF IRANIAN PARTY, FOR WHATEVER REASON, WITH NO RESORT TO ARBITRATION, ETC.) IN CONTRACTS COVERING SUCH PROJECTS. WE WERE SYMPATHETIC TO M-K'S PROBLEM AND POINTED OUT THAT EMBASSY TEHRAN, TOO, RECOGNIZED DIFFICULT SITUATION EXISTED IN IRAN. WE

PROMISED TO KEEP MATTER UNDER CONSIDERATION. MEMO OF CONVERSATION BEING POUCHED TO YOU SEPARATELY.

2. ON REFLECTION, ALTHOUGH TIMING MAY NOT BE OPTIMAL FOR VISIT TO IRAN, WE INCLINED TO ENCOURAGE REPRESENTATIVES FROM EXPERT MISSION DESCRIBED REFTEL TO VISIT IRAN IN CONNECTION WITH PLANNED VISIT TO SAUDI ARABIA AND KUWAIT IN MID-FEBRUARY. BELIEVE IT SENSIBLE TO TAKE ADVANTAGE OF GROUP'S PRESENCE IN AREA TO BEGIN INVESTIGATION OF SITUATION IN IRAN WITH EMBASSY AND GOI OFFICIALS WITH VIEW TO REACHING ACCEPTABLE SOLUTION OF PROBLEM WITH IRANIAN AUTHORITIES. IN PROCESS, WE WOULD BE DEMONSTRATING OUR RESPONSIVENESS TO INDUSTRY CONCERNS. WE APPRECIATE EMBASSY'S OPINION THAT ADDITIONAL SPADEWORK NEEDS TO BE DONE BEFORE PROBLEM CAN BE RESOLVED; THAT SEEMS REASONABLE ASSUMPTION. WE BELIEVE, HOWEVER, THAT EXPERT GROUP COULD PROVIDE EXCELLENT TOOL WITH WHICH TO BEGIN THAT WORK. WE EMPHASIZE THAT GROUP'S DISCUSSIONS WITH IRANIAN OFFICIALS WOULD BE LOW-KEY AND INFORMAL, DESIGNED TO ENCOURAGE FULLEST EXCHANGE OF INFORMATION. WE HAVE NO FALSE HOPES THAT PROBLEM WILL BE RESOLVED ON SPOT.

3. WE INCLINED ACCEPT EMBASSY'S SUGGESTION THAT BANK GUARANTEE PROBLEM ON CONSTRUCTION CONTRACTS MIGHT FULLY BE EXPLORED IN FORTHCOMING MEETING OF JOINT BUSINESS COUNCIL. SUGGEST EMBASSY DISCUSS SUBJECT WITH JOHN BREWER ON HIS RETURN VISIT TO TEHRAN FEBRUARY 7. WE ARE ENCOURAGING M-K TO DISCUSS SUBJECT WITH CONSTRUCTION INDUSTRY ASSOCIATION REPRESENTATIVES FOR POSSIBLE FURTHER DISCUSSIONS WITH BREWER UPON HIS RETURN HERE. AS FURTHER THOUGHT, DISCUSSIONS IN CONTEXT JOINT BUSINESS COUNCIL MEETING LIKELY TO BE MORE PRODUCTIVE, IN OUR LIMITED OFFICIAL USE

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OPINION, IF THERE HAS BEEN PREVIOUS EXCHANGE OF IDEAS ON THE SUBJECT, SUCH AS VISIT OF EXPERT MISSION WOULD OCCASION, AND IRANIANS ARE BETTER PREPARED TO RESPOND TO THE ISSUE.

4. SINCE PROSPECTIVE MEMBERS OF SAUDI MISSION ARE IN ADVANCE STAGES OF PREPARATIONS AND NEED TIME FOR SUBSTANTIVE AND TRAVEL/HOTEL ARRANGEMENTS, WOULD APPRECIATE

YOUR REACTION SOONEST TO PROPOSED VISIT. SISCO

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